



OHIO AUDITOR OF STATE
KEITH FABER



**FIRELANDS AMBULANCE SERVICE
HURON COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Firelands Ambulance Service
Huron County
25 James Street
New London, Ohio 44851-1211

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Firelands Ambulance Service, Huron County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinions on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinions* paragraphs below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Ambulance and emergency medical charges for services receipts are reported at \$102,150 for the year ended December 31, 2017, which is 100 percent of total Special Revenue Fund receipts for the year ended December 31, 2017. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as ambulance and emergency medical charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Firelands Ambulance Service, Huron County, Ohio as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General and Special Revenue Fund of Firelands Ambulance Service, Huron County, Ohio as of December 31, 2018 and of the General Fund as of December 31, 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

February 14, 2020

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Firelands Ambulance Service
Huron County
Statement of Receipts, Disbursements, and Changes
in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$132,872		\$132,872
Charges for Services		\$196,066	196,066
Intergovernmental	19,923		19,923
Earnings on Investments	885		885
Miscellaneous	10,634		10,634
<i>Total Cash Receipts</i>	<u>164,314</u>	<u>196,066</u>	<u>360,380</u>
Cash Disbursements			
Current Disbursements:			
General Government	28,091	8,536	36,627
Public Safety	57,562	187,530	245,092
Debt Service:			
Principal Retirement	94,500		94,500
Interest and Fiscal Charges	7,083		7,083
<i>Total Cash Disbursements</i>	<u>187,236</u>	<u>\$196,066</u>	<u>383,302</u>
<i>Net Change in Fund Cash Balance</i>	(22,922)		(22,922)
<i>Fund Cash Balances, January 1</i>	<u>178,416</u>		<u>178,416</u>
Fund Cash Balances, December 31			
Assigned	<u>155,494</u>		<u>155,494</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$155,494</u></u>		<u><u>\$155,494</u></u>

The notes to the financial statements are an integral part of this statement.

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Firelands Ambulance Service, Huron County, Ohio (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Villages of New London and Fitchville and New London Township in Huron County and Ruggles and Troy Township in Ashland County. The District provides emergency medical services to residents of these political subdivisions.

Public Entity Risk Pool

The District participates in one public entity risk pool. Note 6 to the financial statement provides additional information for this entity.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The District had the following significant Special Revenue Fund:

Fire and Rescue, Ambulance and Emergency Medical Services Fund The fire and rescue, ambulance and emergency medical services fund is used to account for revenues derived from ambulance and emergency medical services fees.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,322	\$164,314	(\$74,008)
Special Revenue		196,066	196,066
Total	\$238,322	\$360,380	\$122,058

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$517,883	\$192,074	\$325,809
Special Revenue		197,626	(197,626)
Total	\$517,883	\$389,700	\$128,183

Note 4 – Deposits

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2018 \$6,680
Other time deposits (savings accounts)	148,814
Total deposits	\$155,494

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

Note 6 – Risk Management

Risk Pool Membership

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Rev. Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants’ gross salaries. The District has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Tax Anticipation Note	\$135,800	3.75%

The District issued tax anticipation notes in 2011 to finance the construction of a new building to house the District. The notes are payable solely from the proceeds of future property tax monies.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Tax Anticipation Note
2019	\$48,693
2020	48,758
2021	48,659
Total	\$146,110

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Miscellaneous Receipts

General Fund miscellaneous receipts consisted primarily of refunds.

Note 11 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund and expenditures exceeded appropriations in the Fire and Rescue, Ambulance and Emergency Medical Services Fund.

Also contrary to Ohio law, the district did not properly certify the availability of funds through June 30, 2018.

Firelands Ambulance Service
Huron County
Statement of Receipts, Disbursements, and Changes
in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$128,563		\$128,563
Charges for Services		\$102,150	102,150
Intergovernmental	22,463		22,463
Earnings on Investments	294		294
Miscellaneous	282		282
<i>Total Cash Receipts</i>	<u>151,602</u>	<u>102,150</u>	<u>253,752</u>
Cash Disbursements			
Current Disbursements:			
Public Safety	173,523	102,150	275,673
Materials and Supplies	9,850		9,850
Debt Service:			
Principal Retirement	52,500		52,500
Interest and Fiscal Charges	10,605		10,605
<i>Total Cash Disbursements</i>	<u>246,478</u>	<u>\$102,150</u>	<u>348,628</u>
<i>Net Change in Fund Cash Balance</i>	(94,876)		(94,876)
<i>Fund Cash Balances, January 1</i>	<u>273,292</u>		<u>273,292</u>
Fund Cash Balances, December 31			
Assigned	<u>178,416</u>		<u>178,416</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$178,416</u></u>		<u><u>\$178,416</u></u>

The notes to the financial statements are an integral part of this statement.

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Firelands Ambulance Service, Huron County, Ohio (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Villages of New London and Fitchville and New London Township in Huron County and Ruggles and Troy Township in Ashland County. The District provides emergency medical services to residents of these political subdivisions.

Public Entity Risk Pool

The District participates in one public entity risk pool. Note 6 to the financial statement provides additional information for this entity.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The District had the following significant Special Revenue Fund:

Fire and Rescue, Ambulance and Emergency Medical Services Fund The fire and rescue, ambulance and emergency medical services fund is used to account for revenues derived from ambulance and emergency medical services fees.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Contrary to Ohio law, the District did not use the encumbrance method of accounting.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,733	\$151,602	\$15,869
Special Revenue	102,150	102,150	
Total	\$237,883	\$253,752	\$15,869

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$408,850	\$246,478	\$162,372
Special Revenue	102,150	102,150	
Total	\$511,000	\$348,628	\$162,372

Note 4 – Deposits

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$11,101
Other time deposits (savings accounts)	167,315
Total deposits	\$178,416

Deposits are insured by the Federal Deposit Insurance Corporation.

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

Note 6 – Risk Management

Risk Pool Membership

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Rev. Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Tax Anticipation Note	\$177,800	3.75%
Tax Anticipation Note, Second Series	<u>52,500</u>	3.75%
Total	<u><u>\$230,300</u></u>	

The District issued tax anticipation notes in 2011 to finance the construction of a new building to house the District. The notes are payable solely from the proceeds of future property tax monies.

The District issued a second series of tax anticipation notes in 2011 to finance the purchase of an ambulance. The notes are payable solely from the proceeds of future property tax monies.

Firelands Ambulance Service
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Tax Anticipation Note	Tax Anticipation Note, Second Series
2018	\$48,668	\$14,368
2019	48,693	14,404
2020	48,758	14,420
2021	48,659	14,318
Total	\$194,778	\$57,510

Note 10 – Compliance

Contrary to Ohio law, the District’s controls over Special Revenue Fund ambulance and emergency medical services charges for services receipts were not in place in operating effectively.

Also contrary to Ohio law, the District did not establish a Fire and Rescue, Ambulance and Emergency Medical Services Fund to account for ambulance and emergency medical services receipts.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Firelands Ambulance Service
Huron County
25 James Street
New London, Ohio 44851-1211

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Firelands Ambulance Service, Huron County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 14, 2020 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion in 2017 due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as Special Revenue Fund charges for services receipts.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001, 2018-002, and 2018-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 through 2018-006.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 14, 2020

**FIRELANDS AMBULANCE SERVICE
HURON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018 were identified:

- General Fund property and other local taxes receipts were decreased in the amount of \$8,009 and General Fund general government disbursements were increased in the amount of \$3,338 in order to properly account for property taxes received and corresponding unrecorded auditor and treasurer fees;
- General Fund intergovernmental receipts were understated in the amount of \$19,923;
- General Fund public safety, principal retirement, and interest and fiscal charges disbursements were understated in the amounts of \$57,562, \$94,500 and \$7,083, respectively;
- General Fund opening equity was increased in the amount of \$97,590 in order to agree opening equity to prior year closing equity;
- General Fund unassigned fund balance in the amount of \$155,494 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- General Fund budgeted receipts, actual receipts, and budgetary expenditures were decreased in the amounts of \$51,678, \$140,018, and \$261,793, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with the authorized budget and actual amounts;
- Special Revenue Fund Type charges for services receipts and public safety disbursements were overstated in the amounts of \$94,377 and \$47,087, respectively;
- Special Revenue Fund Type opening equity was decreased in the amount of \$108,737 in order to agree opening equity to prior year closing equity; and
- Special Revenue Fund Type actual receipts and budgetary expenditures were increased in the amounts of \$290,443 and \$243,957, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with the authorized budget and actual amounts.

**FINDING NUMBER 2018-001
(CONTINUED)**

Also identified were the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- General Fund opening equity was increased in the amount of \$83,730 in order to agree opening equity to prior year closing equity;
- General Fund salaries and public safety disbursements were overstated and understated in the amounts of \$111,431 and \$236,628, respectively;
- General Fund charges for services and EMS billing receipts were both overstated in the amount of \$135,318;
- General Fund intergovernmental receipts were understated in the amount of \$20,558;
- General Fund principal retirement (\$52,500) and interest and fiscal charges disbursements (\$10,605) were incorrectly classified as salaries disbursements (\$63,105);
- General Fund budgeted receipts, appropriation authority, actual receipts, and budgetary expenditures were increased or decreased in the amounts of \$344,267, \$71,150, \$106,171, and \$69,538, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with the authorized budget and actual amounts; and
- General Fund closing equity was increased in the amount of \$175,708 due to a footing error in the financial statements uploaded to the HINKLE system.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements, and District accounting records, where applicable, have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

To help ensure the District's notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Board of Trustees to help identify and correct errors and omissions.

The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Officials' Response:

The District will refer to the Auditor of State Bulletin 2011-004 to report more accurately. The District will appoint a financial committee.

FINDING NUMBER 2018-002

Noncompliance Citation and Material Weakness

Ohio Admin. Code § 117-2-01(A) provides that “all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.”

Ohio Admin. Code § 117-2-02 (B)(1)(b) provides that “the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

(1) Assertions about classes of transactions and events for the period under audit:

(b) Completeness: All transactions and events that should have been recorded have been recorded.”

Ohio Admin. Code § 117-2-01(D) provides that “when designing the public office's system of internal control and the specific control activities, management should consider the following:

(1) Ensure that all transactions are properly authorized in accordance with management's policies.

(2) Ensure that accounting records are properly designed.

(3) Ensure adequate security of assets and records.

(4) Plan for adequate segregation of duties or compensating controls.

(5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

(6) Perform analytical procedures to determine the reasonableness of financial data.

(7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

(8) Monitor activities performed by service organizations.”

Additionally, **Ohio Rev. Code § 149.351** provides that “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.41 of the Revised Code....”

Internal controls over the District's collection of ambulance and emergency medical services charges for services receipts for the Ambulance and Emergency Medical Services Fund were not in place and operating effectively for the year ended December 31, 2017.

**FINDING NUMBER 2018-002
(CONTINUED)**

We noted the following deficiencies for the year ended December 31, 2017:

- The District was unable to provide support for services billed (i.e. a billing invoice documenting services provided and the amount billed for, account statements, etc.) for any of the fifty-five receipts selected for testing;
- The duplicate receipt book used to record receipts was only available for the period of January 1, 2017 through May 12, 2017;
- Validated bank deposit tickets, including copies of the checks deposited, were only available for the period of October 5, 2017 through December 31, 2017;
- Receipts were not sequentially numbered;
- No verification of the existence and valuation of receipts and periodic reconciliation to the accounting records was performed; and
- The Fiscal Officer was involved in receiving payments, preparing deposits, and posting receipt information to the accounting system, resulting in a lack of adequate segregation of duties.

Accordingly, we were unable to obtain assurances for completeness over ambulance and emergency medical services charges for services receipts, which accounted for one hundred percent of Ambulance and Emergency Medical Services Fund receipts for the year ended December 31, 2017. As a result, we qualified our audit opinion for 2017.

Lack of controls and poor recordkeeping increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Therefore, having no reliable source documentation to substantiate billings and subsequent receipts prohibits the assurance of completeness.

The District should:

- Ensure that detailed support for each billing is retained;
- Ensure that support for each receipt and deposit is retained;
- Ensure that a periodic reconciliation between amounts collected and recorded in the accounting system is performed; and
- Consider involving personnel separate of the Fiscal Officer to receive payments and/ or prepare deposits. Such personnel could include the Coordinator or other appropriate individuals.

Officials' Response:

The District will maintain records properly with a retention schedule. The District will hire an outside consultant to look over financials periodically.

FINDING NUMBER 2018-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2018-003
(CONTINUED)**

There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The primary exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), of the Ohio Rev. Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100, in the case of counties, and \$3,000, in the case of all other subdivisions or taxing units, may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board of Trustees.

2. Blanket Certificate – The fiscal officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board of Trustees may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District failed to use the encumbrance method of accounting, as the Fiscal Officer did not prepare purchase orders for the period of January 1, 2017 through the implementation of the uniform accounting network subsequent to June 30, 2018. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law but it is a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of the District's funds being over expended or exceeding budgetary spending limitations as set by the Board of Trustees.

To improve controls over disbursements, we recommend the District's disbursements receive prior certification of the Fiscal Officer, and the Board of Trustees periodically review the expenditures made to ensure they are within the appropriations adopted by the Board of Trustees, certified by the Fiscal Officer and recorded against appropriations.

Officials' Response:

The District will use Purchase Orders, Blanket, Super Blanket and Then and Now Certificates for all financials. The Board will be presented financial statements at every meeting.

FINDING NUMBER 2018-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 505.721 provides in part that “a board of trustees of a joint ambulance district may establish reasonable charges for the use of ambulance or emergency medical services.... Charges collected under this section shall be kept in a separate fund designated as the ambulance and emergency medical services fund, and shall be appropriated and administered by the Board. The moneys in the fund shall be used for the payment of the costs of the management, maintenance, and operation of ambulance and emergency medical services in the district.”

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The District inappropriately recorded \$102,150 of ambulance and/or emergency medical services revenue in the General Fund for the year ended December 31, 2017. Given the source of the revenue, this should have been recorded in the Fire and Rescue, Ambulance and Emergency Medical Services Fund. Additionally, the District used the proceeds from these charges in accordance with the provisions above; however the disbursements were incorrectly paid from the General Fund. Corresponding disbursements in the amount of \$102,150 should have been recorded in the Fire and Rescue, Ambulance and Emergency Medical Services Fund. Audit adjustments are reflected in the financial statements and notes to the financial statements correcting the misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The District should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

The District is utilizing the 2281 EMS fund and following proper procedure.

FINDING NUMBER 2018-005

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides that “the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals.”

Appropriations (\$517,000) exceeded Estimated Resources (\$407,252) by \$109,748 in the General Fund at December 31, 2018.

This noncompliance was a result of inadequate policies and procedures over the monitoring of budgetary compliance. Failing to limit appropriations to estimated resources could result in the District expending more money than it receives and result in deficit fund balances. The District should review final appropriations and final certificates of estimated resources to help ensure estimated resources are sufficient to cover said appropriations and the District is not spending beyond what is available for each fund.

FINDING NUMBER 2018-005

Officials' Response:

The proper documents will be given to the board with supporting reports from UAN for board review.

FINDING NUMBER 2018-006

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

Expenditures (\$197,626) exceeded Appropriations (\$0) by \$197,626 in the Fire and Rescue, Ambulance and Emergency Medical Services Fund at December 31, 2018.

This noncompliance was a result of inadequate policies and procedures over the monitoring of budgetary compliance. Failing to limit expenditures to appropriations could result in deficit spending. The Fiscal Officer should not certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

Proper procedure for expenditures and appropriations will be followed. The financial committee will be presented proper documentation.



Firelands Ambulance Service

25 James St.
New London, Ohio 44851

929-1487

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding was first reported during the audit of the 2011 and 2012 financial statements. Material Weakness for errors in financial reporting.	Not corrected and reissued as Finding 2018-001 in this report.	This matter was not corrected due to deficiencies in the District's internal controls over financial reporting. The District is currently utilizing all of the UAN system and this will allow closer monitoring of internal controls.

OHIO AUDITOR OF STATE KEITH FABER



FIRELANDS AMBULANCE SERVICE

HURON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2020**